

## Message Text

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ACTION EB-07

INFO OCT-01 EUR-12 ISO-00 CAB-05 CIAE-00 COME-00 DODE-00

DOTE-00 INR-07 NSAE-00 FAA-00 L-03 /035 W

----- 115340

R 242140Z FEB 76

FM AMEMBASSY OTTAWA  
TO SECSTATE WASHDC 8908  
INFO AMEMBASSY LONDON  
AMEMBASSY PARIS

UNCLAS OTTAWA 0733

E.O. 11652: N/A

TAGS: EAIR, CA

SUBJ: CIVAIR: COMMISSIONS ON CHARTERS

1. BEGIN SUMMARY. PRESS HAS REPORTED COMMISSION PRICE  
WAR IN CANADA RE CHARGERS, ESPECIALLY INTERNATIONAL.  
REGULATORY AUTHORITY NOT CLEAR IN ITS MIND AS TO WHETHER  
THIS IS A PROBLEM AND, IF SO, WHAT ITS AUTHORITY TO DEAL  
WITH IT IS. END SUMMARY.

2. FOLLOWING IS TEXT OF ARTICLE ENTITLED "WAR WAGED BY  
FEES PAID ON CHARTERS", BY KEN ROMAIN, PUBLISHED IN THE  
TORONTO GLOBE AND MAIL, FEBRUARY 24:

BEGIN TEXT. A COMMISSION PRICE WAR AMONG NORTH ATLANTIC  
CHARTER OPERATORS IS UNDER WAY IN CANADA IN A COMPETITION  
TO GAIN PASSENGERS, ACCORDING TO DENNIS GILL, PRESIDENT OF  
SUNTOURS LTD., TORONTO.

HE SAID SOME CHARTER OPERATORS ARE PAYING COMMISSIONS  
AS HIGH AS 18 PER CENT, COMPARED WITH THE STANDARD  
10 PER CENT, TO TRAVEL AGENTS TO DIRECT PASSENGERS TO  
THEIR CHARTER PROGRAMS. HE SUGGESTED THESE HIGHER  
COMMISSIONS SHOULD REALLY BE GOING TOWARD LOWER CHARTER  
FARES.

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THERE ARE NO GOVERNMENT REGULATIONS COVERING THE AMOUNT  
OF COMMISSION TO BE PAID TO AGENTS IN THE CHARTER MARKET.

THE REASON FOR THE INCENTIVE COMMISSION IS THE EXPECTED RISE IN THE NUMBER OF SEATS AVAILABLE FOR CHARTERS THIS YEAR AND WHETHER THERE WILL BE ENOUGH PASSENGERS TO FILL THEM.

MR. GILL SAID THE PASSENGER IS NOT BEING HURT AT PRESENT BY THE PRICE WAR BUT HE IS NOT BENEFITTING EITHER. IT IS THE AGENT SELLING THE CHARTER PROGRAM WHO IS GAINING. INSTEAD OF PAYING HIGHER COMMISSION RATES TO GAIN PASSENGERS, CHARTER OPERATORS (MANY OF WHICH ARE SUBSIDIARIES OF AIRLINES) SHOULD BE LOWERING THEIR CHARTER FARES TO GAIN PASSENGERS, BUT THIS IS NOT HAPPENING.

"WHAT IS HAPPENING IS THAT SOME OPERATORS ARE TRYING TO BUY UP THE MARKET," HE SAID.

THE PEAK SEASON ADVANCED BOOKING CHARTER FARE BETWEEN TORONTO AND LONDON THIS YEAR IS \$369, A RISE OF ABOUT 9 PER CENT OVER THE CORRESPONDING PERIOD LAST YEAR. SOME COMMISSION OVER-RIDES ARE AS MUCH AS \$27, MR. GILL SAID.

PRESENT REGULATIONS CALL FOR A CHARTER FLOOR PRICE TO BE SET BY CANADIAN CARRIERS BELOW WHICH A FOREIGN CARRIER CANNOT GO WITH ITS RATES, A 60-DAY ADVANCED BOOKING PERIOD AND A MINIMUM STAY OF 14 DAYS.

MR. GILL SAID HIS COMPANY'S NORTH ATLANTIC CHARTER PROGRAM THIS YEAR BETWEEN CANADA AND BRITAIN WILL BE HANDLED MAINLY BY LAKER AIRWAYS LTD. OF BRITAIN. LAKER AIRWAYS CHAIRMAN FREDDIE LAKER SAID REGULATIONS COVERING CHARTERS BETWEEN CANADA AND BRITAIN ARE RESTRICTIVE AND COULD BE RELAXED.

HE SUGGESTED THE ADVANCED BOOKING PERIOD COULD BE REDUCED TO 30 DAYS, AS IS NOW BEING PLANNED IN THE UNITED STATES, AND THAT THE MINIMUM STAY BE REDUCED TO SEVEN DAYS. NEW U.S. REGULATIONS WILL NOT CALL FOR A MINIMUM FLOOR PRICE SO THAT DEMAND WILL SET FARES, HE SAID.

ACCORDING TO THE SUNTOUR PROGRAM, LAKER AIRWAYS WILL BE UNCLASSIFIED  
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ABLE TO FLY A BRITISH CHARTER TRAVELLER FROM LONDON TO TORONTO DURING THE PEAK SEASON FOR \$40 LESS THAN THE AIRLINE CAN FLY A CANADIAN CHARTER TRAVELLER FROM TORONTO TO LONDON BECAUSE OF PRESENT CANADIAN FLOOR PRICES. MR. GILL SAID THAT BOTH SCHEDULED AND CHARTER AIRLINES ARE NOW COMPETING FOR EVERY AVAILABLE PASSENGER ON THE NORTH ATLANTIC, THE LARGEST AND POTENTIALLY MOST LUCRATIVE MARKET.

"THE RESULT IS THAT THIS YEAR THERE IS MORE CAPACITY THAN

EVER OVER THE NORTH ATLANTIC, YET THE PRICE IS HIGHER THAN EVER - AND NOT ALL OF THESE INCREASES ARE CAUSED BY THE COST OF AVIATION FUEL." MR. GILL SAID. END TEXT.

3. COMMENT: SUNTOURS IS CANADA'S LEADING TOUR OPERATOR. AIR TRANSPORT COMMITTEE OFFICIALS ADVISED LEGAL SITUATION IN CANADA RE CHARGER COMMISSION IS NOT AS CLEAR AS GILL QUOTED AS INDICATING. ATC IN PAST HAS RESTRICTED COMMISSIONS PAYABLE BUT WAS NOT CHALLENGED BY AFFECTED PARTIES. FOR EXAMPLE, ENTITY AND AFFINITY CHARTER COMMISSIONS WERE LIMITED TO FIVE PERCENT, AND NO COMMISSIONS ARE ALLOWED ON ABC'S AND ITC'S. AT PRESENT TIME, ATC IS ASKING CARRIERS VOLUNTARILY TO FILE REPORTS ON COMMISSION LEVELS IN RELATION TO FARES AND CHARTERS. REPORTS ARE STARTING TO COME IN, BUT NO INFORMATION IS AVAILABLE RE UNIVERSALITY OF REPLIES. COMMITTEE ITSELF HAS NOT DETERMINED WHAT IT WILL DO WITH THIS INFORMATION AND THE EXTENT OF ITS JURISDICTION TO REGULATE.

ENDERS

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## Message Attributes

**Automatic Decaptoning:** X  
**Capture Date:** 01 JAN 1994  
**Channel Indicators:** n/a  
**Current Classification:** UNCLASSIFIED  
**Concepts:** PRESS COMMENTS, SUPPLEMENTAL AIRLINES, AIR FARES  
**Control Number:** n/a  
**Copy:** SINGLE  
**Draft Date:** 24 FEB 1976  
**Decaption Date:** 01 JAN 1960  
**Decaption Note:**  
**Disposition Action:** n/a  
**Disposition Approved on Date:**  
**Disposition Authority:** n/a  
**Disposition Case Number:** n/a  
**Disposition Comment:**  
**Disposition Date:** 01 JAN 1960  
**Disposition Event:**  
**Disposition History:** n/a  
**Disposition Reason:**  
**Disposition Remarks:**  
**Document Number:** 1976OTTAWA00733  
**Document Source:** CORE  
**Document Unique ID:** 00  
**Drafter:** n/a  
**Enclosure:** n/a  
**Executive Order:** N/A  
**Errors:** N/A  
**Film Number:** D760070-0342  
**From:** OTTAWA  
**Handling Restrictions:** n/a  
**Image Path:**  
**ISecure:** 1  
**Legacy Key:** link1976/newtext/t19760219/aaaaaqif.tel  
**Line Count:** 135  
**Locator:** TEXT ON-LINE, ON MICROFILM  
**Office:** ACTION EB  
**Original Classification:** UNCLASSIFIED  
**Original Handling Restrictions:** n/a  
**Original Previous Classification:** n/a  
**Original Previous Handling Restrictions:** n/a  
**Page Count:** 3  
**Previous Channel Indicators:** n/a  
**Previous Classification:** n/a  
**Previous Handling Restrictions:** n/a  
**Reference:** n/a  
**Review Action:** RELEASED, APPROVED  
**Review Authority:** castelsl  
**Review Comment:** n/a  
**Review Content Flags:**  
**Review Date:** 13 JUL 2004  
**Review Event:**  
**Review Exemptions:** n/a  
**Review History:** RELEASED <13 JUL 2004 by schwenja>; APPROVED <25 AUG 2004 by castelsl>  
**Review Markings:**

Margaret P. Grafeld  
Declassified/Released  
US Department of State  
EO Systematic Review  
04 MAY 2006

**Review Media Identifier:**  
**Review Referrals:** n/a  
**Review Release Date:** n/a  
**Review Release Event:** n/a  
**Review Transfer Date:**  
**Review Withdrawn Fields:** n/a  
**Secure:** OPEN  
**Status:** NATIVE  
**Subject:** CIVAIR: COMMISSIONS ON CHARTERS  
**TAGS:** EAIR, CA  
**To:** STATE  
**Type:** TE  
**Markings:** Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 04 MAY 2006